

"KEEPING AUSTRALIA'S INTERNATIONAL TRADE MOVING"



Australian Peak Shippers  
Association Inc. (APSA)

## **FTA / APSA OPENING STATEMENT – Inquiry into the implications of the COVID-19 pandemic (30 July 2020)**

Thank you for the opportunity to present this afternoon before the committee.

My name is Paul Zalai and I am a Director of Freight & Trade Alliance (FTA), the Secretariat for the Australian Peak Shippers Association (APSA) and a Director of the Global Shippers Forum. I am accompanied today by Mr David Scott who is the Sea Cargo Member Representative for our industry alliance.

FTA is the peak body for the international trade sector representing in excess of 400 corporate members including Australia's largest logistics service providers and major importers.

On 1 January 2017, FTA was appointed the Secretariat role for the Australian Peak Shippers Association (APSA). APSA is the peak body for Australia's containerised exporters and importers under Part X of the Competition and Consumer Act 2010 as designated by the Federal Minister of Infrastructure and Transport. The combined APSA membership export in excess of 600,000 Twenty Foot Equivalent sea cargo containers per annum.

Since providing our formal submissions to the Inquiry, we have become extremely concerned by the current 'second wave' of COVID-19, particularly in Victoria where overnight another 723 new cases have been reported and tragically, another 13 Australian lives have been lost.

While we fully support the need to safeguard the health of our community, we equally need to keep our international supply chain sector open. Our membership has serious concerns that a stage 4 restriction being mooted in Victoria could involve a complete lockdown over an extended period of time. This would have devastating economic and welfare implications.

We need to keep the entire international supply chain open from our wharves and airports through to exporters and importers. This includes stevedores, air cargo terminal operators, transport operators, licensed depots, fumigation providers, empty container parks, freight forwarders and customs brokers.

The entire international supply chain is fragile at the best of times, removing or limiting the capabilities of one link is not an option.

We understand from members that COVID-19 testing for Victorian supply chain and waterfront workers is currently taking from 4 to 5 days which means key-personnel are out for a period of time while awaiting results. Somehow this process needs to be fast-tracked for essential workers and to ensure business continuity.

Assuming that we can keep trade moving during this global pandemic, we need to also focus on doing so in an efficient manner.

While the Australian government should be applauded for its work in liberalising trade, particularly in respect of signing key free trade agreements, this is off-set with the cost of international trade remaining exceptionally high.

This is reflected in Australia's 'Doing Business Ranking' as published by the World Bank. In 2020 Australia's overall ranking was an impressive 14. However, its ranking for the sub-category "Trading Across Borders" was 106.

Australia has world class manufacturers and producers who are supported by skilled customs brokers and freight forwarders.

We believe that the country is ready to take advantage of the opportunities created by free trade agreements and lead an economic recovery. However, these opportunities will not be fully realised while the costs of trade are prohibitive.

## **DIGITALISATION**

Australia must increase its investment in digitalisation. An example being that all Australian agriculture exporters are forced to print and courier "Original" versions of the Phytosanitary Certificate.

This is an incredibly labor-intensive task, which is highly inefficient and costly.

Some steps have been taken in the context of Australian and New Zealand trade however solutions and standards are already available for many other markets. Disappointingly, what is absent, is the will for the Government to facilitate accelerated change.

APSA and our large volume exporters are available to work with government to assist.

## **AIRFREIGHT**

Aviation has undoubtedly been one of the hardest hit sectors by the pandemic, devastated by the restrictions affecting passenger movements. Putting this in context, approximately 80% of Australia's international air cargo volume is usually moved in the belly of passenger aircraft.

Air freight costs have understandably substantially increased without the cross-subsidisation and demand of passenger traffic.

The combined efforts of commerce and government has facilitated continuation of access to global markets for Australian exporters, importation of time-sensitive goods (including medical, PPE and other essential supplies) and has maintained residual Australian jobs in the aviation sector by keeping aircraft flying.

We see significant merit in the recent announcement of an injection of another \$241.9M to continue International Freight Assistance Mechanism (IFAM) until February and JobKeeper until March 2021 but have concerns that this alone will not be sufficient to adequately support the sector.

Our submission to the Federal Treasurer is to allocate additional relief measures to support the air cargo supply chain sector until the end of 2021 (at minimum), with actual allocation of funds subject to periodic reviews pending the return of international passenger flight services.

## **CONTAINERISED SEA CARGO**

Shipping line market consolidation plus the emergence of stevedore-imposed Infrastructure Surcharges have been the primary reasons for supply chain costs rapidly increasing.

This has exposed significant deficiencies in the effectiveness of existing competition law in being able to achieve basic exporter and importer protections.

The Australian Competition and Consumer Commission (ACCC) has recognised a need for reform with the 3 December 2019 release of a discussion paper titled *Proposed Class Exemption for Ocean Liner Shipping*. FTA / APSA provided a formal submission making 9 recommendations including repeal of Part X with the ACCC to maintain tight compliance to a rigid replacement block exemption regime.

If nothing else, our members desperately require relief from the imposition of stevedore-imposed Infrastructure Surcharges (now more appropriately referred to as Terminal Access Charges).

This charge alone has a direct cost to Australian exporters and importers in excess of \$300M per annum in 2019.

Put very simply, instead of recovering costs from their commercial client (shipping lines), stevedores are holding transport operators to ransom to pay these charges or are denied access to wharves. Many transport operators have included administration fees to manage cash flow associated with these charges resulting in cascading costs flowing through the supply chain.

Over the last five years, each stevedore has periodically increased the quantum of the surcharges.

The current economic downturn has not slowed this trend with DP World adjusting their East Coast fees during May 2020; Hutchison (Brisbane) increasing fees by a staggering amount (\$50 to \$94.78 per container effective 27 July); and Victoria International Container Terminal extending their lead with the most expensive national charge (\$131.03 per container effective 1 August 2020).

Our exporters and importers are likely to pay close to one billion dollars this year based on 2020 volumes, increased Terminal Access Charges, other stevedore charges and similar "ransom" fees administered by empty container parks.

With repeated warnings by state governments being ignored, particularly during the current COVID-19 crisis, increased costs are having devastating impacts on our trade sector with the most significant impact on our retailers, manufacturers, farmers and regional communities.

We have a dedicated meeting scheduled tomorrow morning with the Deputy Prime Minister and are hopeful that the Federal Government will champion this cause where our state governments have gone missing.

We trust that this introduction has been helpful to the committee and we look forward to responding to your questions.